

Message Text

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FM AMEMBASSY MOSCOW

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C O N F I D E N T I A L MOSCOW 8351

E. O. 11652: XGDS-1

TAGS: ETRD, ENRG, EFIN, GW, UR

SUBJ: FIFTH SESSION OF FRG-USSR JOINT ECONOMIC COMMISSION

1. SUMMARY - FRG EMBASSY MOSCOW SOURCE STATES THAT SCANT INFORMATION IS YET AVAILABLE ON PROCEEDINGS OF FIFTH SESSION OF FRG-USSR JOINT COMMISSION ON ECONOMIC AND SCIENTIFIC-TECHNICAL COOPERATION, WHICH TOOK PLACE JUNE 9 TO 11 IN BONN. LIKEWISE, SOVIET PRESS COVERAGE OF MEETINGS -- PRESIDED OVER JOINTLY BY FRG ECONOMICS MINISTER FRIDERICHS AND SOVIET DEPUTY COUNCIL OF MINISTERS CHAIRMAN V.N. NOVIKOV -- HAS BEEN SPARSE. THERE WERE ALLEGEDLY NO SURPRISES AT TALKS, WHICH REVIEWED PROGRESS ON CURRENT PROJECTS AND RECEIVED REPORTS FROM WORKING GROUPS OF TECHNICAL SPECIALISTS. SPECIFIC ITEMS RAISED INCLUDED AT LEAST FOLLOWING:

--HOW TO RESOLVE PRESENT IMPASSE ON FRG SALE OF NUCLEAR POWER
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PLANT TO USSR IN RETURN FOR DELIVERED ELECTRICITY TO WEST BERLIN

(THIS WAS APPARENTLY PRIME TOPIC OF CONVERSATION BETWEEN NOVIKOV AND CHANCELLOR SCHMIDT DURING THEIR MEETING JUNE 12);

--SOVIET DISSATISFACTION WITH RAPIDLY INCREASING 1975 TRADE IMBALANCE IN FAVOR OF FRG, WHICH STOOD AT DM672 MILLION THROUGH FIRST THREE MONTHS OF YEAR;

--REVIEW OF KURSK PROJECT AND TRILATERAL FRG-IRAN-USSR GAS DEAL;

--FRG INTEREST IN PARTICIPATING IN YENESY PULP/PAPER PROJECT.
END SUMMARY

2. ACCORDING TO FRG EMBASSY IN MOSCOW FEW DETAILS ARE YET AVAILABLE ON DISCUSSION AT FIFT SESSION OF FRG-USSR JOINT COMMISSION, WHICH TOOK PLACE JUNE 9-11 IN BONN. SOVIET MEDIA COVERAGE OF MEETINGS HAS LIKEWISE BEEN VERY SKETCHY, WITH LONGEST SINGLE PIECE A SHORT ARTICLE IN JUNE 11 SOTSIALISTICHESKAYA INDUSTRIYA. ARTICLE QUOTES EXTENSIVELY FROM OFFICIAL COMMUNIQUE ISSUED AT END OF TALKS AND CONCLUDES WITH BRIEF INTERVIEW WITH FRG ECONOMICS MINISTER FRIDERICH. IN INTERVIEW MINISTER FRIDERICH NOTED "WITH SATISFACTION" RESULTS OF FIFTH SESSION, PARTICULARLY FACT THAT COMMISSION HAD EXAMINED QUESTIONS OF "POSSIBLE FURTHER COOPERATION" IN TIMBER-PROCESSING AND PULP/PAPER INDUSTRIES, ENERGY AND RAW MATERIALS, CERAMICS INDUSTRY, AND MODERNIZATION OF INDIVIDUAL ENTERPRISES IN LIGHT AND MACHINE-BUILDING INDUSTRIES. FRIDERICH QUOTED AS STATING THAT FRG REGARDS HIGHLY FURTHER DEVELOPMENT OF BILATERAL ECONOMIC/TRADE RELATIONS WITH USSR SINCE LATTER'S ECONOMY "IS NOT SUBJECT TO COMPETITIVE FLUCTUATIONS". "TRADE WITH THE SOVIET UNION HAS A STABILIZING EFFECT ON OUR ECONOMY," HE CONCLUDED.

3. FRG EMBASSY SOURCE DID MENTION SEVERAL SPECIFIC TOPICS RAISED AT TALKS. FOREMOST AMONG THESE WAS CONTINUING PROBLEM OF IMPASSE ON FRG SALE OF NUCLEAR POWER STATION TO USSR. FRG INSISTS THAT LINE FROM STATION AT KALININGRAD MUST PASS (VIA POLAND AND GDR) THROUGH WEST BERLIN, THENCE ONWARD THROUGH GDR TO FRG. IN ADDITION, FRG INSISTS THAT TRANSFORMER STATION BE LOCATED IN WEST BERLIN SO THAT GDR WOULD NEVER BE CAPABLE OF SHUTTING DOWN CURRENT DURING PERIOD OF POLITICAL OR OTHER CRISIS.
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FINALLY, FRG DESIRES THAT LINE HAVE TWO-WAY CAPABILITY, SO THAT POWER COULD BE SUPPLIED WEST BERLIN FROM FRG SHOULD SUPPLY FROM OTHER DIRECTION BE CUT OFF. ACCORDING TO FRG EMBASSY SOURCE SOVIETS ARE UNDER SEVERE PRESSURE FROM GDR NOT TO ACQUIESCE IN ANY OF THESE PROPOSALS; SOVIET POSITION AT PRESENT IS TO FAVOR TRANSMISSION LINE FROM KALININGRAD TO FRG PASSING "NEAR" WEST BERLIN, WITH BRANCH FEEDER LINE PROVIDING ELECTRICITY TO THE CITY.

4. PROBLEM OF NUCLEAR POWER STATION (MORE PRECISELY, TRANSMISSION LINE FROM STATION TO FRG) IS SO THORNY THAT IT APPARENTLY WAS NUCLEUS OF CONVERSATION DURING MEETING BETWEEN NOVIKOV AND CHANCELLOR SCHMIDT JUNE 12. IN OPINION OF FRG EMBASSY SOURCE GDR HAS ENOUGH CLOUT WITH SOVIETS ON THIS PARTICULAR ISSUE TO PREVENT DEAL, AS NOW ENVISAGED, FROM COMING TO FRUITION. IN MEANTIME, SOVIETS HAVE MADE FEELERS ABOUT PURCHASING NUCLEAR POWER STATION OUTRIGHT FROM FRG EITHER FOR CASH OR WITH REPAYMENT IN OTHER ENERGY-RELATED COMMODITY SUCH AS CRUDE OIL.

5. AT JOINT SESSION SOVIETS REPORTEDLY EXPRESSED ACUTE DISSATISFACTION AT DEVELOPMENT OF 1975 BILATERAL TRADE. DURING FIRST THREE MONTHS OF YEAR FRG EXPORTS TO SOVIET UNION GREW IN VALUE BY 53 PERCENT OVER COMPARABLE 1974 PERIOD, TO NEARLY 1.4 MILLION DM, WHILE SOVIET EXPORTS TO FRG DURING SAME PERIOD DECLINED BY 1.7 PERCENT TO 705 MILLION DM. THUS, BALANCE OF 1975 TRADE THROUGH MARCH FAVORED FRG BY DM 672 MILLION. THIS IS ALMOST HALF 1974 TOTAL AND SOVIETS WERE PREDICTABLY UNHAPPY. FRG REPS AT SESSION POINTED OUT THAT IMBALANCE WILL DIMINISH AS SOVIET DELIVERIES OF NATURAL GAS TO FRG INCREASE.

6. THE KURSK PROJECT AND FRG-USSR-IRAN TRILATERAL GAS DEAL WERE REVIEWED IN DEPTH AT MEETINGS, WITH BOTH SIDES APPARENTLY SATISFIED THAT THESE PROJECTS ARE MOVING FORWARD AS RAPIDLY AS PRACTICABLE. REGARDING KURSK, IT WAS NOTED THAT SOVIET "PURCHASING OFFICE" WILL OPEN IN COLOGNE AT END OF JUNE, STAFFED BY SOME THIRTY ENGINEERS AND OTHER TECHNICIANS, TO MAINTAIN CONTACT WITH FRG FIRMS PROVIDING MACHINERY AND DESIGNS. OFFICE IS EXPECTED TO BE IN EXISTENCE FOR AT LEAST TWO YEARS, AND SOVIET EMPLOYEES WILL BE GIVEN MULTIPLE ENTRY-EXIT VISAS FOR DURATION OF THEIR STAY IN COUNTRY. FRG WILL AT LATER DATE OPEN SIMILAR OFFICE IN MOSCOW TO EXPEDITE WORK ON PROJECT, BUT
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ITS SPECIALISTS APPARENTLY WILL NOT BE GRANTED MULTIPLE ENTRY-EXIT VISAS.

7. FRG RAISED QUESTION DURING TALKS OF PARTICIPATION BY WEST GERMAN FIRM VOITH (MANUFACTURER OF PAPER-MAKING MACHINERY) IN YENESEY PULP/PAPER PROJECT. SOVIETS DEMURRED, STATING THAT THEY PREFER PRIME CONTRACTOR FOR ENTIRE PROJECT. SOVIETS FURTHER IMPLIED THAT INTERNATIONAL PAPER HAS INSIDE TRACK ON CONTRACT AND THAT USSR GENERALLY NOT INTERESTED IN BEGINNING NEGOTIATIONS AT THIS LATE DATE WITH OTHER POTENTIAL SUPPLIERS.

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